

Agenda Report

June 15, 2026

TO: Honorable Mayor and City Council

FROM: Department of Finance

SUBJECT: ADOPTION OF FISCAL YEAR 2027 OPERATING BUDGET AND ADOPTION OF RESOLUTION DETERMINING THE AMOUNT OF ANNUAL TRANSFER FROM THE POWER FUND FOR FISCAL YEAR 2027 AND AMENDING THE AMOUNT OF ANNUAL TRANSFER FOR FISCAL YEAR 2026

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action proposed herein is not a “project” subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 21065 and within the meaning of Sections 15060(c) and 15378(b);
2. Close the public hearing and adopt by resolution the Fiscal Year (FY) 2027 Operating Budget as presented in the City Manager’s Recommended Budget on May 4, 2026, or as subsequently amended during the budget hearing process; and
3. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund for FY 2027 is 12 percent of gross income from retail sales and amending the annual amount of transfer for FY 2026.

EXECUTIVE SUMMARY:

Balancing the budget has become increasingly challenging amid economic uncertainty, persistent inflation, and concerns about a potential slowdown. Although the proposed FY 2027 Operating Budget is balanced and continues to advance Council priorities, it relies on one-time solutions. Sustaining a stable fiscal outlook will require thoughtful planning and policy decisions as Pasadena manages reduced purchasing power, elevated operating costs, and the ongoing structural mismatch between mandated service demands and available resources. Staff is recommending the adoption of the annual operating budget and is committed to returning to City Council in a few months to continue the ongoing discussion around the City’s budget priorities.

BACKGROUND:

On May 4, 2026, the City Manager submitted the Recommended FY 2027 Operating Budget in compliance with the requirements set forth in Section 904 of the City Charter. Throughout May, each City Council Committee conducted meetings for budget workshops in order to review and discuss, in greater detail, the recommended operating budgets of their assigned City departments and affiliated agencies. The full City Council oversaw the public hearing for the Recommended Operating Budget – May 4 through June 15, 2026.

The Recommended Operating Budget represents the City’s financial plan for FY 2027 and furthers the City’s mission to deliver exemplary municipal services responsive to our entire community and consistent with the City’s history, culture, and unique character. In addition to the City’s anticipated operating revenues and expenses, the Recommended Budget includes the appropriations for the FY 2027–2031 Capital Improvement Program (CIP) and the City’s affiliated agencies (Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation).

The Recommended FY 2027 Operating Budget reflects the City’s prudent and agile approach to addressing community needs through proposed enhancements, resetting departmental budgets and their work plan priorities, planning for future opportunities/challenges, and strategically utilizing reserves when able and appropriate. The table below presents the FY 2027 Recommended Budget (operating and CIP) alongside two preceding fiscal years.

Total Budgeted Appropriations
 (including Affiliated Agencies and CIP)

in millions

	FY 2025 Actuals	FY 2026 Adopted	FY 2027 Recommended
General Fund	\$381.2	\$364.9	\$383.4
All Funds	\$1,223.7	\$1,512.4	\$1,409.8

Full-Time Equivalent Positions
 (including Affiliated Agencies)

	FY 2025 Adopted	FY 2026 Revised	FY 2027 Recommended
General Fund	1,084.03	1,089.04	1,089.59
All Funds	2,406.88	2,434.38	2,424.84

Proposed Adjustments

As detailed below, a few adjustments to the original Recommended Operating Budget are being proposed due to changing circumstances and/or the public discourse on department budgets during the Council Committee meetings. Attachment E provides a summary table.

- **Public Health Department**

- a) Transfer Encampment Resolution Funding (ERF-2) and Emergency Shelter Grant (ESG) funding from the Housing Department to the Public Health Fund (203) to fully fund the two existing firefighter positions with Pasadena Outreach Response Team (PORT) 1 and 2 in the amount of \$315,000, and \$227,700 in motel vouchers for eligible residents encamped on state property.
- b) Increase recommended revenue and appropriations by \$560,000 in the Public Health Fund (203) to continue the community engagement work of the Promotores Program. In lieu of outsourcing for community engagement services, three City departments (Water and Power, Rent Stabilization, and Transportation) will utilize and help fund the program through interdepartmental transfers. This will allow the Department to retain a 1.0 FTE Program Coordinator II, 1.0 FTE Community Services Representative III, 1.0 FTE Community Services Representative I, and any essential materials and resources. These positions were originally scheduled for elimination due to sunseting grants.
- c) Increase recommended appropriations by \$94,239 in the General Fund to increase the existing Health Officer position from 0.75 FTE to 1.0 FTE, which will enable the incumbent to better support enforcement functions, safety planning, and community facing needs.
- d) Increase General Fund support by an additional \$101,150 to sustain an existing 1.0 FTE Community Services Representative III that supports infectious disease prevention and control in long-term care facilities. With the end of federal funding for disease control, there is insufficient funding to support this role which has operated as a full-time position since the pandemic.

- **Transportation Department**

- a) Increase recommended appropriations in the General Fund (101) by \$600,000 to start the process of expanding and transitioning the Parking Enforcement program from a contractual services model to an in-house staffing model. The initial ramp-up costs in FY 2027 will support 10.0 FTE Parking Enforcement Representatives, 1.0 FTE Senior Parking Enforcement Representative, and 1.0 FTE Parking Services Supervisor. The in-house program is expected to be at least cost-neutral once fully implemented in FY 2028.
- b) Increase recommended appropriations in the General Fund (101) by \$90,000 to enhance the security for Parking Enforcement staff by providing body-worn cameras. The Department will return to the appropriate Council committee for the necessary policy discussion around operating body-worn cameras.

- **Fire Department**

Increase recommended appropriations in the General Fund (101) by \$95,891 for a 1.0 FTE Fire Inspector. The new position will help the Department's Fire Prevention Bureau meet state-mandated inspection frequencies by focusing on business, mercantile, and storage occupancy inspections.

- **Non-Departmental**

- a) Increase recommended appropriations in the General Fund (101) by \$2.0 million to establish a reserve for the Year-Round Homelessness Shelter as the workplan begins in earnest.
- b) Decrease recommended appropriations in the General Fund (101) by \$1.78 million to reduce debt service payments scheduled in FY 2027 by utilizing the excess reserve balance in the series 2008A and 2026A parity reserve fund.

Altogether, the proposed adjustments will impact the General Fund by increasing appropriations by \$1,201,280. Revenue and appropriations in other funds will increase by \$1,102,700 and \$1,890,400, respectively. The citywide FTE total will increase by 17.25 (14.25 FTE – General Fund; 3.0 FTE – other funds).

With regards to Recommendation No. 3, pursuant to Pasadena Charter Section 1408, the maximum aggregate amount available for the Light and Power Fund transfer is calculated by multiplying the annual gross electric income from the sale of electric energy at rates and charges fixed by ordinance by 12 percent. The City Council shall by resolution transfer that amount; however, the City Council may transfer an amount other than that figure if the Council determines that it would not be detrimental to the functioning and administration of the power utility during the budget year under consideration.

For FY 2027, staff is recommending that the City Council adopt a resolution transferring 12 percent of estimated annual gross income, or \$28,500,000. Additionally, said resolution also amends the amount to be transferred from the Light and Power Fund to the General Fund for FY 2026, from \$28,500,000 to \$28,230,086 (12 percent of annual gross income), based on the financial performance reported by the independent certified public accountant.

A copy of the Recommended FY 2027 Operating Budget can be found on the City's website at <https://www.cityofpasadena.net/finance/operating-budgets/>.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the adoption of the FY 2027 Recommended Operating Budget.

ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not "projects" as defined by CEQA Guidelines Section 21065 and within the meaning of Sections 15060(c) and 15378(b). Section 15378 excludes from the definition of "project" the creation of government funding mechanisms and fiscal activities which do not yet commit the lead agency to any specific project and also excludes organizational or administrative governmental activities that do not result in physical changes to the environment. The action proposed herein, consideration of adopting the FY 2027 Operating Budget, is budgetary and part of the City's normal administrative process as it takes early steps to prepare for the possibility of undertaking a project and therefore is not yet a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The FY 2027 Recommended Budget proposes total operating appropriations of \$383,448,756 in the General Fund and \$1,409,752,056 in all Funds (includes affiliated agencies and CIP).

The FTE positions funded by the General Fund are 1,089.59 FTEs and those funded by all Funds are 2,424.84 FTEs (includes affiliated agencies).

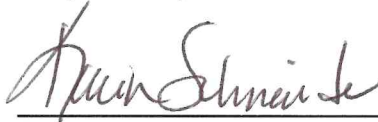
The proposed operating budget adjustments will increase appropriations in the General Fund by \$1,201,280 and in all Funds by \$3,091,680 and increase the citywide FTE total by 17.25.

Respectfully submitted,



KARIN SCHNAIDER
Director of Finance

Prepared by:



Timothy Park
Budget Administrator

Approved by:



MATTHEW E. HAWKESWORTH
Interim City Manager

Attachments: (5)

- Attachment A – Summary of Appropriations and FTEs by Department
- Attachment B – City Council & Committee Meeting Schedule for Operating Budget
- Attachment C – FY 2027 Proposed Enhancements
- Attachment D – Unfunded FY 2027 Enhancements
- Attachment E – Proposed Adjustments to FY 2027 Recommended Operating Budget